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December 31, 2003

Mary L. Cottrell, Secretary  
Department of Telecommunications and Energy  
One South Station  
Boston, MA 02110

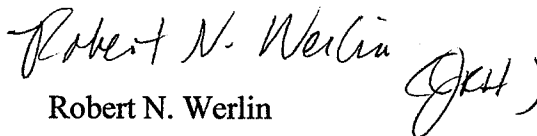
Re: Boston Edison Company, Cambridge Electric Light Company and  
Commonwealth Electric Company, D.T.E. 03-100

Dear Secretary Cottrell:

On behalf of Boston Edison Company, Cambridge Electric Light Company and Commonwealth Electric Company d/b/a NSTAR Electric (the "Companies"), please find enclosed an Affidavit of James M. Daly responding to comments filed to date in the above-referenced matter. The Companies are filing this response in affidavit format to ensure that the Companies' response to the comments filed to date is included in any evidentiary record compiled for this proceeding. Similarly, the Companies request that their responses to information requests issued in this proceeding will also be included in the evidentiary record.

Please contact me or Jack Habib in my office if you have any questions regarding this filing. Thank you for your attention to this matter.

Sincerely,

  
Robert N. Werlin

Enclosures

cc: William Stevens, Hearing Officer  
Service List

**COMMONWEALTH OF MASSACHUSETTS**  
**DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY**

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Boston Edison Company,  
Cambridge Electric Light Company and  
Commonwealth Electric Company

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D.T.E. 03-100

**AFFIDAVIT OF JAMES G. DALY**

James G. Daly, being duly sworn, deposes and says as follows:

1. I am the Director, Electric and Gas Energy Supply for Boston Edison Company ("Boston Edison"), Cambridge Electric Light Company ("Cambridge"), Commonwealth Electric Company ("Commonwealth"), each d/b/a NSTAR Electric (collectively, "NSTAR Electric" or the "Companies") and NSTAR Gas Company. In this capacity, I am responsible for coordinating the procurement of supplies for Standard Offer and Default Service for NSTAR Electric.
2. I graduated from Trinity College in Dublin, Ireland with a Bachelor Degree in Electric Engineering and from University College in Dublin, Ireland with a Masters in Industrial Engineering. After serving for eight years as Regional Marketing Engineer/Senior Engineer for the Electricity Supply Board in Dublin, Ireland, I served from 1988-2000 in various positions including Senior Vice President of Unitil Service Corporation, with lead responsibility for procurement, operations and management of approximately \$180 million per year of power and natural gas to various Unitil subsidiaries. In addition to this position I was the President of Unitil Power Corporation, with lead responsibility for designing multibillion dollar energy portfolios based on purchased power and negotiated all major power contracts. From 1998-2000, I was President of Unitil Resources, Inc., developing an energy consulting business to major energy companies and selling power for Great Bay Power Corporation. During 2000-2001, I held the position of Executive Vice President, Network Operations for Enermetrix.com, Inc., where I was responsible for developing an Internet-based network for large retail customers to procure electricity and natural gas. From 2001-2003, I was Vice President/Director of Power Market Development for Sprague Energy Corporation where I was responsible for developing a start-up retail electricity business servicing large customers. I assumed my present position on July 7, 2003.

3. As Director, Electric and Gas Energy Supply, I am responsible for securing a least-cost energy supply and for mitigating the cost incurred under existing above-market power purchase agreements ("PPAs"). My responsibilities currently include coordinating the sale of NSTAR Electric's PPAs and securing a supply for Standard Offer, Default Service and wholesale energy customers. As they relate to the NSTAR Green Program (the "Program"), my responsibilities also include procuring Renewable Energy Certificates ("RECs") from wholesale suppliers.
4. My affidavit will describe the Program and respond generally to the comments offered in this proceeding to date. Twelve participants in this proceeding have submitted written comments: (1) Associated Industries of Massachusetts ("AIM"); (2) the Attorney General of the Commonwealth (the "Attorney General"); (3) the Cape Light Compact and Massachusetts Energy Consumers Alliance (jointly) ("Compact/MassEnergy"); (4) Community Energy, Inc. ("Community Energy") (5) Conservation Law Foundation ("CLF"); (6) Division of Energy Resources ("DOER"); (7) Robert Grace ("Grace"); (8) Ethan Hoag; (9) Massachusetts Climate Action Network ("MCAN"); (10) the State of Rhode Island State Energy Office, on behalf of the Rhode Island Renewable Energy Fund ("Rhode Island"); and (11) Sterling Planet. The majority of these participants, as well as Constellation New Energy ("Constellation"), also offered oral comments to the Department of Telecommunications and Energy ("Department") at a public hearing held on December 11, 2003.
5. The Program will allow residential and small commercial and industrial customers ("Eligible Customers")<sup>1</sup> to contribute to the development of renewable generation sources by purchasing an incremental 25 percent of the customer's total kilowatt-hour ("kWh") usage from a new renewable power source, as defined in 225 C.M.R. § 14.00, et seq. NSTAR Electric intends to facilitate such a purchase by procuring RECs from wholesale suppliers and charging participating Eligible Customers the cost of such RECs, in addition to the Eligible Customer's otherwise-applicable delivery and generation charges.
6. NSTAR Electric proposes to recover its costs for RECs via a charge on participating customer bills that is added to the customer's Standard Offer

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<sup>1</sup> The pro-forma tariff submitted on October 16 in this proceeding is drafted to be applicable to Boston Edison's residential and small commercial and industrial ("C&I") rate class customers (i.e., R-1 through R-4, G-1, G-2, T-1, S-1, S-2 and S-3), provided that such customers take either Standard Offer Service or Default Service from the Company. The eligibility provisions in the compliance tariffs for Cambridge and Commonwealth were initially envisioned to be consistent with the pro-forma tariff. However, as stated infra, the Company is willing to refine its eligibility criteria for the Program. The C&I rate classes were designed consistent with the "small" C&I designations approved by the Department for Default Service customers.

or Default Service rates. NSTAR Electric will account for all Program costs separately from its Standard Offer or Default Service supply costs and reconcile such costs annually. NSTAR Electric may, in the future, propose the recovery of incremental costs (e.g., administrative or informational) from Program customers.

7. NSTAR Electric is voluntarily offering the Program. With the exception of a short (three-day prior to meter read) notification requirement, customers may sign up (or drop) the Program as they desire and may choose, at any time, to purchase renewable supply options offered by competitive retail suppliers, municipal aggregators, brokers or Department-approved providers of retail electric services. NSTAR Electric proposes to offer the Program for an initial period of two years.
8. NSTAR Electric will keep track of its purchased renewable supply through the use of RECs that are tracked through the New England Generation Information System ("NE-GIS"). Similar to NSTAR Electric's current tracking system for renewable power supply purchases, NSTAR Electric will create sub-accounts for its NSTAR Green option suppliers to hold NE-GIS certificates, which reflect renewable supply delivered by such suppliers to NSTAR Electric's customers. NSTAR Electric intends to utilize the data contained on NE-GIS to produce a product label consistent with the requirements of 220 C.M.R. § 11.06(2) and any further requirements of the Department pursuant to a final order in NE-GIS, D.T.E. 03-62.
9. As noted in its October 16 Filing Letter and response to Department discovery in this proceeding, NSTAR Electric developed the Program after researching residential customers' interest in electricity generated from renewable sources. NSTAR Electric's research included: (1) interviews with vendors; (2) evaluations of other utility offerings from around the country; (3) performing residential customer surveys; and (4) convening focus groups (see NSTAR Electric's responses to Information Requests DTE-1-5 and DTE-1-7). The results of these efforts indicated that there is considerable customer interest in having available a green power option.
10. However, despite this interest, NSTAR Electric determined that residential and small C&I customers have been provided very few options from the competitive market for green power services. The surveys and focus groups indicate that customers are still unfamiliar with the current state of restructuring, but would be interested in purchasing green power if the pricing differentials are relatively low and customers are fully informed about the program.

11. Accordingly, based on customer feedback, it was determined that a green power offering would provide a number of benefits. First, residential and small C&I customers would be provided with the opportunity to choose a green power option — a choice that currently they do not have. This new option for customers would have a number of secondary benefits. It would allow them to support directly the generation of power from renewable sources, which would, in turn, facilitate the development of a robust renewables market. It will also have the effect of causing customers to look differently on electricity purchases and the restructuring of the industry. Once customers see that they have a choice with regard to electricity generation, and that making this choice will not change reliability of distribution service, they may be more receptive to future offerings from alternative service providers, which will further the development of the retail competitive market.
12. The information gathered through NSTAR Electric's research was important in designing the Program. NSTAR Electric has structured the Program to balance customers' reactions to different green generating sources, customers' desires to provide a significant increase in the overall green percentage and customers' need to limit the price increases resulting from increasing green supplies. This balance, confirmed through NSTAR Electric's research, led to the proposed 25 percent incremental green offering, including some wind and solar resources, which would likely result in a roughly 10-15 percent price premium to participating customers. The 25 percent is in addition to the renewable supply that the Company is required to purchase in order to comply with the DOER's Renewable Portfolio Standard regulations. See 225 C.M.R. § 14.00, et seq. Based on expected enrollment rates and because of the limited quantity of qualifying New Renewable wind and solar contained in the proposals received by NSTAR Electric, the expected 2004 resource mix for the Program is 22 percent biomass, 2 percent wind, and 1 percent solar.
13. NSTAR Electric is pleased that the only two participants in this proceeding that directly represent the interests of customers, the Attorney General and AIM, have filed comments in support of the Program. The Attorney General focuses on the interests of residential customers, and his comments recognize that the Program provides customer benefits by offering an affordable option for small customers to support the development of new renewable resources. Similarly, AIM represents small C&I customers among its constituency, and its comments acknowledge the Program's benefits for those customers.
14. NSTAR Electric also is pleased at the positive comments regarding the Program offered by the DOER. During the public hearing, the agency acknowledged that the Program is being offered voluntarily and it recommended that the Department should consider this fact and balance it

against the risk of having no program at all (Tr. 1, at 9). DOER also recognized that the Program increases choice to customers and may help to educate customers that they have options, *i.e.*, “get used to the idea of making a choice” (*id.* at 13). DOER also acknowledged that the Program will help Eligible Customers to familiarize themselves with renewable offerings (*id.*). Moreover, unlike some of the commenters, DOER did not advocate that the Program mirror the National Grid Company’s “GreenUp” program (“GreenUp”). The agency noted that NSTAR Electric’s program provides “another way of doing it to compare the results that we get with the National Grid program” and acknowledged that “there’s no right answer here and there’s some benefit in seeing a different approach and seeing how the success relates to other approaches” (*id.*).

15. With regard to the remaining comments, several general critiques of the Program were offered, as follows:

(1) the Program is anti-competitive, and will serve to impede retail competitive suppliers from offering retail “green” offerings to NSTAR Electric’s customers (DOER at 3-5, CLF at 3-6, Compact/MassEnergy at 5-10, Grace at 2-4, Rhode Island at 1-3; Constellation at Tr. 1, at 22-24). Commenters offered various rationales for this allegation: (a) the Program, as a single product, fails to provide sufficient choices to customers (DOER at 3, CLF at 4, Compact/MassEnergy at 11, Grace at 6; MCAN at 2); (b) the Program will send inappropriate price signals to customers (DOER at 3, CLF at 6); (c) the Program is “branded” (DOER at 3-4); and (d) the Program does not sunset (DOER at 4);

(2) there is insufficient information about the Program (regarding marketing, cost recovery, tracking end use sales) to determine whether it meets the Department’s standard of review for such programs (Compact/MassEnergy at 11-15, Grace at 4-5);

(3) the Program should be structured like the “GreenUp” program (Compact/MassEnergy at 6-9, Grace at 7-9, Rhode Island at 2); and

(4) the Program will not lead to the development of new renewable resources (CLF at 6-9; Grace at 9-11).

16. The remainder of my sworn comments responds generally to these allegations. First and foremost, the Program does not restrict any licensed competitive supplier, municipal aggregator or broker from offering its own renewable power option to NSTAR Electric’s customers. Indeed, the Program is designed to empower customers to feel comfortable choosing generation options, which may lead to their choosing to purchase generation from the competitive market. Although some commenters

have criticized the Program as offering only a single option, the fact that the Program offers only one option is further indication that NSTAR Electric does not intend to "corner the market" for renewable power options. Although the Program places no restrictions on alternative suppliers offering a product in direct competition with the Program's 25 percent incremental offering, to the extent that a supplier believes that its product cannot compete directly with the Program, the supplier may offer a product with a higher or lower percentage incremental green content, or combine a product with an additional green service, and price such a product accordingly. Moreover, it must be stressed that the Program is being offered because NSTAR Electric's residential customers have indicated that they would like to support the development of renewable resources, but such a choice has not been offered to them by the competitive market. Accordingly, the Program is intended to provide benefits to the Eligible Customers, as well as to the renewable generation market, without restricting any competing renewable option from being offered to such customers.

17. In order to further demonstrate NSTAR Electric's intent not to impede the development of a competitive market for retail green offerings, NSTAR Electric is willing to limit the Program's availability in response to issues raised by Constellation. The pro-forma tariff submitted on October 16 in this proceeding is drafted to be applicable to Boston Edison's residential and small C&I rate class customers (i.e., R-1 through R-4, G-1, G-2, T-1, S-1, S-2 and S-3), provided that such customers take either Standard Offer Service or Default Service from NSTAR Electric. However, after discussions with Constellation and reviewing Constellation's oral comments, NSTAR Electric understands that Constellation is offering a renewable power option to customers that are served by Boston Edison Rate G-2 and advocates that the NSTAR Green not be available to those customers. Constellation asks that NSTAR Green be offered only to those customer classes listed by the DOER as either residential or small C&I customers. Accordingly, NSTAR Electric agrees to file compliance tariffs that will limit the Program's availability to the following rate classes: (1) residential (for all NSTAR Electric customers); (2) Rate G-1, T-1, S-1, S-2 and S-3 (Boston Edison); (2) Rate G-0 and Rate G-6 (Cambridge); and (3) Rate G-1 and Rate G-7 (Commonwealth).
18. The DOER recommended that the Program: (1) not be "branded"; and (2) include a "sunset" provision in order to address its allegations regarding the Program's potential affect on the competitive market. With regard to "branding," it must be noted that the marketing materials for the GreenUp program, including its Internet page, clearly indicate that National Grid is offering the program. The GreenUp program was supported by DOER and many of those who object to the NSTAR Electric Program. Accordingly, the Department should not require NSTAR

Electric to eliminate or otherwise limit the use of its name in marketing materials involving the Program.

19. With regard to including a "sunset" provision for the Program, NSTAR Electric agrees with DOER's recommendation that it should evaluate market activity over the course of the Program to determine the level of competition in the retail market for residential customers. NSTAR Electric is willing to agree as a condition of Department approval of the Program tariff that the Program will be terminated if a collective 20 percent of NSTAR Electric's residential customers have affirmatively chosen to purchase generation from licensed retail competitive suppliers. NSTAR Electric agrees that such a development would be a strong indicator of a working retail competitive market for residential customers and thus, would signify that NSTAR Electric no longer needed to offer the Program as a means of stimulating customer choice. The 20 percent penetration threshold would not include customers that participate in municipal aggregation programs via an "opt-out" process because participation in such programs should not be construed as a true indicator of residential customers' active level of participation in the retail competitive electricity market.
20. NSTAR Electric disagrees with commenters that allege that it has provided insufficient information about the Program in order to evaluate it properly. NSTAR Electric has provided the Department with information regarding the Program's price estimates (in response to Information Request DTE-1-5), marketing plan (in response to Information Request DTE 1-3); and information disclosure policy (in response to Information Request DTE 1-4). Moreover, NSTAR Electric has indicated that it will track the purchase of RECs through the NE-GIS system and create sub-accounts for its Program suppliers to hold such certificates (October 16 Filing Letter at 3). NSTAR Electric will also be providing information about the Program in response to the Compact's First Set of Discovery, issued on December 23, 2003 and in response to any additional discovery questions issued as of the Department's discovery deadline. Accordingly, NSTAR Electric has provided, and will continue to provide, sufficient information regarding the Program to allow the Department and other participants in this proceeding to evaluate it properly.<sup>2</sup>
21. With regard to comments recommending that the Program be structured similar to the "GreenUp" program, NSTAR Electric believes that its Program will serve its customers well. NSTAR Electric does not wish to denigrate the design of the GreenUp program, nor does it pretend to have

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<sup>2</sup> It should be noted that the Department approved the GreenUp program in D.T.E. 03-55 without the basis of a substantial evidentiary record. The evidentiary record that will be compiled in this case is far more substantial and provides an ample basis on which to approve the Program.



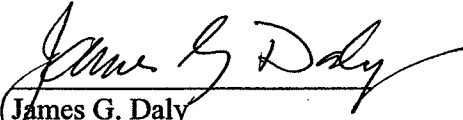
“all the answers” regarding program design.<sup>3</sup> However, NSTAR Electric believes that its Program will provide its customers with a simple, cost-effective means of facilitating the development of renewable resources. As noted previously, the Attorney General, AIM and DOER agree that both the GreenUp program and NSTAR Electric’s Program can provide customer benefits. The Department should not restrict utility-sponsored renewable offerings to one model, as suggested by commenters opposing the Program. Rather, the Department should allow different programs to be offered to determine which program design may provide greater benefits to customers and the renewable power market.

22. Finally, NSTAR Electric believes that allegations offered by some commenters that the Program will not lead to the development of new renewable resources are inapt. These allegations are clearly based on a view by some that financing renewable generation through long-term contracts for renewable power is the key to developing renewable generating facilities (see, e.g., CLF Comments at 7). Whatever the merits of this argument may turn out to be, they are not relevant to whether the Program, by facilitating increased demand for RECs, may itself lead to the development of new renewable resources. Indeed, the GreenUp program, which was approved by the Department in D.T.E. 03-55 and supported by several commenters in this proceeding that oppose NSTAR Electric’s Program, is similar to the Program in that it purports to benefit the development of renewable resources by facilitating the purchase of RECs by retail customers. Accordingly, allegations by some commenters that the Program will not lead to the development of new renewable resources is mere conjecture and based on preferences for a renewable energy policy that are not at issue in this proceeding.

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<sup>3</sup> Similarly, NSTAR Electric does not believe that opponents to the Program have a monopoly on knowledge with respect to program design for green power. It is far too early in this nascent market to constrain design of such programs to any one approach.

Signed under the pains and penalties of perjury this 31st day of December 2003.

  
James G. Daly